



DEPARTMENT OF ENVIRONMENTAL QUALITY  
POLICY AND PROCEDURES

**SUBJECT: SETTLEMENT CASES RELATED  
TO FINES, PENALTIES AND  
COST RECOVERY**

**Number: 03-002**

**Date: November 18, 1997**

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**ISSUE:**

The Department of Environmental Quality (DEQ) has numerous settlement cases, which result in revenues coming to the DEQ. Settlements may result in a company paying fines and penalties, cost reimbursements, or a combination of both. Each year the DEQ is appropriated money in the form of the responsible party payments deduct. The DEQ must receive fines and penalties equal to the appropriated amount or reduce expenditures equal to the short fall.

The DEQ's receipt of fines and penalties from settlements makes it essential that the DEQ has a method for the timely processing and proper accounting of settlement revenues. The DEQ must have the ability to accurately monitor the revenue received from settlement cases.

It is imperative that the DEQ has an up-to-date, complete, and accurate listing of all settlement money that has been receipted in.

**DEFINITIONS:**

"Responsible Party Payment Deduct" means the revenue to be collected from settlement cases and credited against the responsible party payments deduct in the appropriations bill.

"Fines and Penalties" means funds assessed for violations (including bond forfeitures) of environmental laws.

"Judgments" mean contested cases in which a legal decision was rendered by the courts.

"Settlements" mean contested cases in which a legally binding consent agreement is reached among the parties.

**POLICY:**

The DEQ Divisions will properly identify where the settlement money from each agreement should be deposited (i.e., responsible party payments deduct, cost reimbursement) at the time the agreement is signed.

A distribution schedule for funds going to the various responsible party payment deduct in the DEQ's appropriation bill will be established at the beginning of each fiscal year by the Chief of Financial Services.

In cases involving a schedule of payments, the responsible party payment deduct will be satisfied prior to cost reimbursements being made. Multiple payments will be receipted in so the responsible party payments deduct will receive its portion first. Exception requests will come through the Office of Financial Services. Deviations from this policy will be approved by the Deputy Director for Operations.

In accordance with state law, 25 percent of the revenues received from each settlement under either the Hazardous Waste Management Act (P.A. 64 of 1979), the Solid Waste Management

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### **POLICY:**, cont.

Act (P.A. 641 of 1978), or the Michigan Water Resources Commission Act (P.A. 245 of 1929) shall be transferred to the Environmental Education Fund until \$150,000 has been transferred to the Environmental Education Fund. The remaining 75 percent of each settlement is applied to the DEQ's responsible party payments deduct.

Once the Environmental Education Fund maximum has been reached, 100 percent of settlement fines and penalties are applied to the DEQ's responsible party payments deduct.

If the responsible party payments deduct is satisfied, further fines and penalties will be distributed in accordance with the substantive statute under which they were collected.

### **PROCEDURE**

#### **Responsibility**

Appropriate Staff

#### **Action**

- 1 When an agreement is imminent, but not yet executed either:
  - A. If using PROFS:
    1. Go into PROFS miniform named DEQSETLM. To retrieve the miniform, go into PROFS main menu and enter F8 to get into the PSS main menu. From the PSS main menu, tab to the second column. Enter F4 to pull up the miniform. Miniform DEQSETLM is a form in which information is entered and then is sent (F7) to DEQ Accounting. See example in PROFS miniform.
    2. When Part 1 of the miniform is completed, send it by entering F7 (just like any other PROFS message) to DEQ Accounting.
  - B. If using GroupWise:
    1. Open Microsoft Word.
    2. Open the Settlement ID Template:
      - a) Click on "File."
      - b) Click on "New."
      - c) Under the General category, scroll down until you find the template "EQ 1434E" (Attachment A). Click on the icon (this will bring the settlement ID template up on your screen).
    3. Fill out Part 1 of the template.

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### PROCEDURE

#### Responsibility

#### Action

Appropriate Staff, cont.

4. Save the template as a new file.
5. Go into GroupWise and send an e-mail to DEQ Accounting. (Attach the template that you saved).

DEQ Accounting,  
Office of Financial Services (OFS)

2. Assigns identification number according to the coding rules (Attachment B).
3. Sends e-mail response to Budget Development to insure proper crediting.

Budget Development, OFS

4. Reviews and forwards response to division.

DEQ Divisions

5. Include identification number in the agreement, requiring the identification number to be included with all payments to the State of Michigan related to that agreement.

DEQ Divisions/Attorney General

6. Executes agreement.
7. Notifies DEQ Accounting electronically that the agreement has been signed.

DEQ Divisions

8. Completes Part II of the miniform and sends to DEQ Accounting.

DEQ Accounting, OFS

9. Creates an invoice in the Cashier's Receivable System.

Cashier

10. When payments are received, Receivable System is searched to see if Payer is in system and identified with the agreement. Also, if identification number is included with the payment, it is compared with Receivable System for accuracy. Payment is deposited. If identification number cannot be determined or if Payer cannot be found, deposit is made to UNIDENTIFIED RECEIPTS. It is coded with Index 90010, PCA 99003, and AOBJ 9121. Deposits for unidentified receipts are referred to DEQ Budget Development to identify.

Budget Development, OFS

11. At the monthly Compliance and Enforcement Chiefs (C&E Chiefs) meetings, distributes the listing of settlement revenues and unidentified receipts received during the month.

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### PROCEDURE

#### Responsibility

#### Action

C&E Chiefs

12. Review the listing and notify Budget Development of any changes that need to be made in how the revenues are to be distributed.

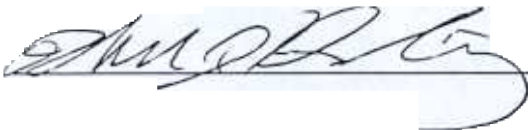
Budget Development, OFS

13. Informs DEQ Accounting of any changes in revenue distribution and any disposition of unidentified receipts.

DEQ Accounting, OFS

14. Prepares accounting entries to transfer the settlement revenues received during the month from unidentified receipts to the appropriate responsible party payment deduct.
15. As part of the monthly procedure, reclassifies accrued and deferred revenue to cash revenue. Annually, establishes short-term and long-term accounts receivable and deferred revenue and writes off amounts not collected in the same year as anticipated.

Approved: \_\_\_\_\_



Date: \_\_\_\_\_

12/1/97

# ATTACHMENT A



## MICHIGAN DEPARTMENT OF ENVIRONMENTAL QUALITY OFFICE OF FINANCIAL SERVICES SETTLEMENT REPORT AND ID NUMBER REQUEST

**PART 1 INSTRUCTIONS:** Use this form to notify DEQ Accounting when a settlement is imminent and to obtain a settlement ID number. Complete Part 1 and then attach this electronic document to an e-mail message and forward it to Keith Ford (FORDK@STATE.MI.US), DEQ Fund Accounting.

1. NAME OF ENTITY WITH WHOM SETTLEMENT IS LIKELY TO BE REACHED	
2. ALTERNATE ENTITY NAME(S) (if any, such as aliases or d/b/a)	
3. APPROVING DIVISION (choose one)	4. DIVISION CONTACT PERSON
5. HAS AGREEMENT BEEN SIGNED?	
<input type="checkbox"/> YES <input type="checkbox"/> NO    IF NO, WHAT IS THE ANTICIPATED DATE OF SIGNING? ➔	
6. TYPE OF SETTLEMENT (check one)	7. AGREEMENT IDENTIFICATION NUMBER (to be assigned by DEQ Accounting)
<input type="checkbox"/> PENALTIES ONLY <input type="checkbox"/> COST RECOVERY ONLY <input type="checkbox"/> BOTH COST RECOVERY & PENALTIES	

**PART 2 INSTRUCTIONS:** Complete Part 2 of this form when a settlement agreement has been signed, and forward it to Keith Ford electronically as outlined in the Part 1 instructions.

PART 2		
8. TOTAL AMOUNT DUE	9. FINE AND/OR PENALTY AMOUNT	10. COST REIMBURSEMENT AMOUNT
\$	\$	\$
11. FINAL PAYMENT DUE DATE	12. AMOUNT OF EACH INSTALLMENT	13. NUMBER OF INSTALLMENT PAYMENTS
	\$	
14. PAYMENT DUE DATES (please provide each payment due date, up to 12 payments)		
15. DATE AGREEMENT SIGNED:		

## Attachment B

# **CODING RULES**

### **FOR SETTLEMENT CASES RELATED TO FINES, PENALTIES AND COST RECOVERY**

1. Each division will be identified with alphabetical characters as the first three characters in the number.

AQD	Air Quality	LWM	Land and Water Mgmt.
DWR	Drinking Water	SWQ	Surface Water Quality
EAD	Environmental Assistance	UST	Underground Storage Tank
ERD	Environmental Response	WMD	Waste Management
GSD	Geological Survey	CIS	Criminal Investigations Sect.
LLR	Low Level Radioactive	MUL	Multiple

2. The next character of the identification number will be a one (1) if the money is to be deposited entirely into the deduct accounts, a two (2) if it is entirely for cost reimbursement and in cases where there is a combination of deduct and cost reimbursement it will be a three (3).
3. In cases of multiple division settlements, the lead division is responsible for obtaining the identification number.
4. The three remaining characters in the identification number will be sequence numbers (all numerical). EXAMPLE:

A Waste Management agreement which includes both fines and penalties and cost reimbursement would have an agreement identification number like this:  
**WMD3001.**

If this agreement had been entirely cost reimbursement, the number would be:  
**WMD2001.**

If this agreement had been entirely fines and penalties, the number would be:  
**WMD1001.**